

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

ENERGY DIVISION

RESOLUTION E-3917

JUNE 16, 2005

R E S O L U T I O N

Resolution E-3917. Southern California Edison Company (SCE) requests approval of its 2003 Quarterly Short-Term Procurement Transaction Filings demonstrating that electric and natural gas procurement activities executed during the period April 1 through December 31, 2003 comply with the guidelines set forth in its Short-Term Procurement Plan (STPP-03) filed with the Commission on November 12, 2002, as modified on January 13, 2003.

By Advice Letter (AL) 1723-E filed on July 15, 2003, AL 1753-E Filed on October 15, 2003, and AL 1774-E filed on January 30, 2004.

SUMMARY

SCE's procurement activities during the period April 1 through December 31, 2003 comply with the guidelines set forth in its 2003 Short-Term Procurement Plan and are approved.

This Resolution approves Southern California Edison Company's (SCE's) 2003 Second, Third, and Fourth Quarter (Q2, Q3, and Q4) Short-Term Procurement Plan Compliance Reports filed in Advice Letters (ALs) 1723-E, 1753-E, and 1774-E per Ordering Paragraph (OP) 8 of D.02-10-062. SCE's filings demonstrate that its power procurement activities during the period April 1 through December 31, 2003 comply with the guidelines set forth in its Commission-approved 2003 Short-Term Procurement Plan (STPP-03).

BACKGROUND

D.02-10-062 directs the three major electric utilities to file quarterly compliance advice letters demonstrating that their procurement activities comply with their approved Short-Term Procurement Plans.

D.02-10-062, an Interim Opinion in R.01-10-024, adopted the regulatory framework under which the respondent utilities resumed full procurement responsibilities on January 1, 2003. As part of this framework, D.02-10-062

authorized a number of procurement transaction types and processes, and established the Energy Resource Recovery Account (ERRA) for timely cost recovery.

In D.02-12-074, the Commission approved SCE's 2003 STPP, as modified. The STPP is to guide SCE's procurement activities. Prior to consideration in an ERRA review, each utility files a quarterly advice letter with the Commission's Energy Division to demonstrate compliance with its STPP. The advice letter should include all information in the adopted master-data request in Appendix B of D.02-10-062. (See Attachment 1 to this resolution.)

D.02-10-062 provides that the Commission's Energy Division should review the quarterly procurement transactions to ensure the prices, terms, types of products, and quantities of each product conform to the approved plan (Conclusion of Law 7). Consistent with AB 57, any transaction submitted by advice letter that is found to not comport with the adopted procurement plan may be subject to further review.

SCE provided information in its advice letters that responds to the Master Data Request required for the quarterly compliance filings that appears as Appendix B to D.02-10-062. SCE's filings include confidential appendices with specific information to demonstrate compliance with the 2003 STPP. SCE submitted those appendices as Confidential Material subject to the protections in the May 1, 2002 and May 20, 2003 Protective Orders issued in R.01-10-024 and also protected by Section 583 of the Public Utilities Code, which prohibits disclosure of confidential public utility information except by Commission order or in the course of a hearing or proceeding.

NOTICE

SCE's Advice Letters were properly noticed and distributed.

Notice of AL 1723-E, AL 1753-E, and AL 1774-E was made by publication in the Commission's Daily Calendar. SCE states that a copy of these Advice Letters were mailed and distributed in accordance with Section III-G of General Order 96-A.

PROTESTS

SCE Advice Letters (AL) 1723-E, 1753-E, and 1774-E were not protested.

DISCUSSION

SCE's 2003 procurement activities comply with its Short-Term Procurement Plan.

Energy Division reviewed SCE's Q2, Q3, and Q4 Compliance Reports to ensure that the product types, terms, prices, and quantities conform to SCE's approved Short-Term Procurement Plan for 2003 (STPP-03), as required by Conclusion of Law 7 in Decision 02-10-062.¹ SCE's Compliance Reports demonstrate that its 2003 procurement activities comply with the guidelines set forth in its STPP-03 filed with the Commission on November 15, 2002 and modified on January 13, 2003.

SCE's ALs 1723-E, 1753-E, and 1774-E contain the information as required in the master data request adopted in D.02-10-062. (See Attachment 1 to this resolution.) The specific information SCE provided does support SCE's claim that its Q2, Q3, and Q4 transactions conformed to its approved STPP-03. Our discussion of the details of these transactions is necessarily limited, because SCE's Compliance Reports contain Confidential Protected Material subject to the protections in the May 1, 2002 and May 20, 2003 Protective Orders issued in R.01-10-024 and pursuant to Public Utilities Code Section 583.

SCE utilized a range of product types, terms, and quantities in its 2003 Q2, Q3, and Q4 procurement transactions. The use of these product types, terms, and quantities conform to SCE's approved STPP-03. Although SCE's approved STPP-03 includes price forecasts, such price forecasts do not dictate a range of prices that restrict, or set limits on, the kinds of transactions SCE can execute. Rather risk metrics can limit SCE's ability to conduct forward purchase transactions. SCE's Q2, Q3, and Q4 Compliance Reports demonstrate that SCE's transactions were completed through processes (such as RFOs, broker exchanges, or bilateral contracts) which are consistent with SCE's approved STPP-03.

1. Resolution E-3834 approved SCE's 2003 First Quarter Short-Term Procurement Plan Compliance Report filed with AL 1703-E.

COMMENTS

The 30-day public comment period is waived.

This is an uncontested matter in which the resolution grants the relief requested. Accordingly, pursuant to PU Code 311(g)(2), the otherwise applicable 30-day period for public review and comment is being waived.

FINDINGS

1. Per Ordering Paragraph (OP) 8 of D.02-10-062, SCE filed its Quarterly Procurement Compliance Reports in AL 1723-E on July 15, 2003, in AL 1753-E on October 15, 2003, and in AL 1774-E on January 30, 2004, to demonstrate that its power procurement activities during the period April 1 through December 31, 2003 comply with the guidelines set forth in its Commission-approved STPP-03.
2. SCE's Q2, Q3, and Q4 Procurement Reports filed in ALs 1723-E, 1753-E, and 1774-E contain Confidential Protected Material subject to the protections in the May 1, 2002 and May 20, 2003 Protective Orders issued in R.01-10-024 and pursuant to Public Utilities Code Section 583.
3. Consistent with D.02-10-062, Conclusion of Law 7, the Energy Division reviewed SCE's Compliance Reports to ensure the prices, terms, types of products, and quantities of each product conform to SCE's STPP-03. Consistent with AB 57, any transaction submitted by advice letter that is found to not comport with the adopted procurement plan may be subject to further review.
4. SCE's procurement activities reported in its 2003 Quarterly Procurement Compliance Reports comply with the guidelines set forth in its Commission-approved STPP-03.
5. ALs 1723-E, 1753-E, and 1774-E were not protested.

THEREFORE IT IS ORDERED THAT:

1. SCE's 2003 Quarterly Compliance Reports filed in AL 1723-E, AL 1753-E, and AL 1774-E are approved.

This Resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed and adopted at a conference of the Public Utilities Commission of the State of California held on June 16, 2005; the following Commissioners voting favorably thereon:

STEVE LARSON
Executive Director

MICHAEL R. PEEVEY
PRESIDENT
GEOFFREY F. BROWN
SUSAN P. KENNEDY
DIAN M. GRUENEICH
JOHN A. BOHN
Commissioners

Attachment 1 to Resolution E-3917

Appendix B to D.02-10-062

Adopted Master Data Request for Monthly Advice Letters

The utilities shall file each month's transactions that conform to the approved procurement plan by advice letter. The Advice Letters must contain the following information:

- Identification of the ultimate decision maker(s) up to the Board level, approving the transactions.
- The briefing package provided to the ultimate decision maker.
- Description of and justification for the procurement processes used to select the transactions (e.g., Request for Offers, Electronic Trading Exchanges, ISO Spot Markets)
 - For competitive solicitations, describe the process used to rank offers and select winning bid(s).
 - For other transactional methods, provide documentation supporting the selection of the chosen products.
- Explanation/justification for the timing of the transactions (i.e., product term and rate of procurement)
- Discussion of the system load requirements/conditions underlying the need for the month's transactions.
- Discussion of how the month's transactions meet the goals of the risk management strategy reflected in the Commission-approved procurement plan (e.g., achieving lowest stable rates)
- Copy of each contract
- The break-even spot price equivalent to the contract(s)
- An electronic copy of any data or forecasts used by the utility to analyze the transactions.
- Utilities should provide a reasonable number of analyses requested by the Commission or the Procurement Review Group and provide the resulting outputs. Utilities should also provide documentation on the model and how it operates.

- The Commission is not precluded from seeking any other information under the provisions of the Public Utilities Code.

(END OF APPENDIX B)